

FOREIGN INVESTMENT IN OUR REGION: A CASE STUDY ON THE EXPANSION WITHIN THE EU

Láng Eszter

Faculty of Economics and Business Administration, University of Debrecen, Hungary

E-mail: eszter.lang@econ.unideb.hu

The majority of capital flow is provided by the capital investment of transnational companies which are very profit-oriented as a result of their rational economic activity. An excellent example of the rational trans-nationalisation process currently occurring in the world economy is the eastward expansion of the Austria-based Inform Media group. After the changes in the political system the company started serious investments, first in Hungary and later in Romania, primarily in the field of printed and online regional media. This paper examines the case of this firm for the expansion within the EU.

The majority of capital flow - apart from some charitable concerns - is provided by the capital investment of transnational companies (TNC's) which are very profit-oriented as a result of their rational economic activity. We face different stages of market penetration during the internationalisation of company production. A company generally enters foreign markets by exporting a product which is generally successfully in the domestic market; later the distribution is helped by the creation of local warehouses. The next stage is the construction of assembly plants, perhaps in co-operation with local companies. Finally a local subsidiary is created with a wider production activity and higher value-added through foreign investment. TNC's penetrate foreign markets to gain an advantage through the above processes or by leaving out certain stages and searching for favourable possibilities.

In the Middle-European countries one of the efficient tools of a rapid convergence and the modernisation of the economy include the gradual liberalisation of the product and services market and the admission of foreign working capital into the country. The present study paper aims at the eastward expansion of the Austrian based Inform Media group: it examines how its operation and behaviour can adopt the characteristics of the processes in world economy. After the changes in the political system the company started serious investments, first in Hungary and later in Romania, primarily in the field of printed and online regional media. This expansion is continuing today, and what is more, the plan to penetrate other markets in the region is currently in process. An openly stated aim of the company concerning the eastward expansion was the acquisition of new markets and the creation of a leading position in the field of regional media.

The Austrian Vorarlberger Medienhaus GmbH entered the market of Hungarian regional printed media in 1991 and it acquired the county newspapers of Észak-Magyarország, Kelet-Magyarország and Hajdú-bihari Napló at a tender. The investor carried out prominent investments: it built its own press printing the three regional daily papers in Debrecen. In 1993 it set up an own distribution network and by 1996 it had made its own billing system. The sales figures however showed a significant 20-30% drop, and for 1996 the firm posted consolidated losses of more than one billion Forints. The company appointed a new managing director to deal with the crisis, who began a significant restructuring programme: a drastic financial restructuring, the forced redundancy of 100 workers, and the closure of 13 sites. In 1998 one of the members of the investment group secured 100% of the parent company. In accordance with the forward planning strategy, the company bought a new printing machine (UNIMAN) and installed a new computer environment. The first aim was to win back lost markets, and the absorption of new publications which damaged the interests of IM. They bought up the publishers of 'Úton', which had appeared in Debrecen as an alternative newspaper. In Nyíregyháza they first bought and then closed down 'Új Kelet' and in 2002 absorbed their competitor in Miskolc, the 'Déli Hírlap'. In 1999 the company continued its serious investment programme, renovating the offices of the Kelet-Magyarország and the Észak Magyarország. The four operating companies were merged into one, and thus Inform Media was born. Over the whole area of their operations they changed to the computer-based Hubbuch system. In 1999 the company recorded its first profitable year.

In 2000 the transformation of the company's news gathering and editing system was completed. Linked to this in June 2000 the Vasárnapi Újság (Sunday Newspapers) were launched (Vasárnapi Észak, Vasárnapi Napló, Vasárnapi Kelet). The company opened its first regional office, and the Hajdú Online internet portal was started. The profits, now at a significant level internationally, allowed the company to continue with further expansive plans for restructuring both domestically and abroad. In February 2001 the other two county dailies' internet portals - Borsod Online and Szabolcs Online - were launched. Together with the establishment of the Miskolc company headquarters, the Call Center was set up to provide telemarketing services for all three counties.

The publisher began its eastward (Romanian) expansion in 1999 with the launch of the Bazar Bihorean advertising publication. Two years later it bought the regional newspapers, the Bihari Napló (a Hungarian language publication with a circulation of 12,000) and the Jurnal Bihorean (a Romanian language publication with a circulation of 8,000). The transformation of the Romanian company was also started.

In 2002 in Hungary the company bought the other Miskolc daily, the Déli Hírlap. It also opened its first regional office in Borsod-Abaúj-Zemplén in Tiszaújváros. The renovation of the Hajdú-Bihar offices in Debrecen was also begun. On the Romanian side the restructuring of the publications in Nagyvárad begun earlier was completed: the offices they had acquired were merged and provided with new technical equipment.

In Hungary in 2003 it was necessary to re-equip the printing presses. A new regional office was opened in Kazincbarcika. In this year the earlier plan, that all dailies should be accessible on-line, was achieved. An editing office was established in Budapest. A new daily was launched on April 17th in Temesvár, in Romania, entitled Jurnal Banaten. At the same time the construction of the Temesvár printing press was begun, reaching completion in May 2004. Following the model of the Hungarian Tipp free sheet, the Romanian Pont was launched. In October the Romanian expansion was continued, with a new daily – the Timpul, based in Resita – coming onto the market. More plans emerged for the acquisition of daily and Sunday papers. Later the daily free sheets in Arad and Temesvár (Arad Expres, Timis Expres) were launched. At present the Romanian subsidiary is responsible for seven dailies in six counties. In Nagyvárad and Temesvár small-ad papers (Bazar Bihorean, Publitim) were launched and advertising offices opened. Following the Hungarian model three Romanian news portals (TION, BIHON, ARADON), and one job-finding portal (BIHORJOB) were launched.

Online activities continued to expand in Hungary from 2004. The North-Eastern region's largest small-ad internet portal appeared as ONLINEAPRÓ, the online version of the four counties leading small-ad newspapers (Borsodi Apró, Hajdú Apró, Hevesi Apró, Keleti Apró). This portal contains approximately 50,000 new ads every week from the four counties. Now, 35% of advertisements arrive via the web. In 2005 several other vertical portals were set up: job portals (hajdujob.hu, borsodjob.hu, szabolcsjob.hu), real estate portals (borsodlak.hu, hajdulak.hu, borsodlak.hu) and used car portals (szuperauto.hu). Visiting numbers show a monthly increasing trend.

In 2005 a further advertising free sheet, the weekly Futár, with its circulation of 120,000, was bought in Szabolcs-Szatmár-Bereg County. In January 2005 two publications were bought in Hajdú Bihar county (in Debrecen with a circulation of 80,000, and in the Zemplén with a circulation of 30,000), while in February 2006 the Szabolcs-Szatmár-Bereg county Szuperinfo (circulation 70,000), and in July 2006 the Dél-Borsodi Szuperinfo (circulation 25,000) in Borsod-Abaúj-Zemplén County also came under the company's control.

The establishment of the Oradea Service Center (OSC) and Call Center (CC) in Oradea, Romania in 2005 resulted in the fact that the importance of the CC in Miskolc fell behind, its operations were gradually cut back and its role was taken over by the unit in Oradea. The Oradea Service Center is equipped with state-of-the-art technology. The investment has generated results competitive on a global scale as well. At the moment the Inform Media Group owns almost 40 newspapers, 10 websites and 2 radio stations in Austria, Hungary and Romania. (Furthermore, in 2005 it acquired 100% stake in the German Quoka Verlag GmbH, which publishes 20 weekly papers.)

The company's organisational structure is characterised by short decision making routes between the owner, the executive and the senior management. The aims are to define accurately the clear organisational structure, the responsibilities, the operational tasks and to ensure complete transparency both for the owner and for the senior management as well as for the employees. Decisions are made at the lowest possible level. By monitoring the successful elements of the competitors' course of business, the so-called one-to-one-copy technique is applied, which means the direct adoption of methods that have proved to be efficient.

The company is pleased to employ junior people at the beginning of their careers. The young, talented employees relatively soon have the chance to prove their competence, and they can get senior positions if they have the necessary skills. The company is the biggest and most modern pool of media and advertising consultants. Utmost attention is paid to the professional training of the consultants. The newspapers are compiled by experienced and reputable journalists.

By the second half of 2006 the number of staff in Hungary had exceeded 500. Besides, the company employs nearly 1,000 people on a contractual basis in this market.

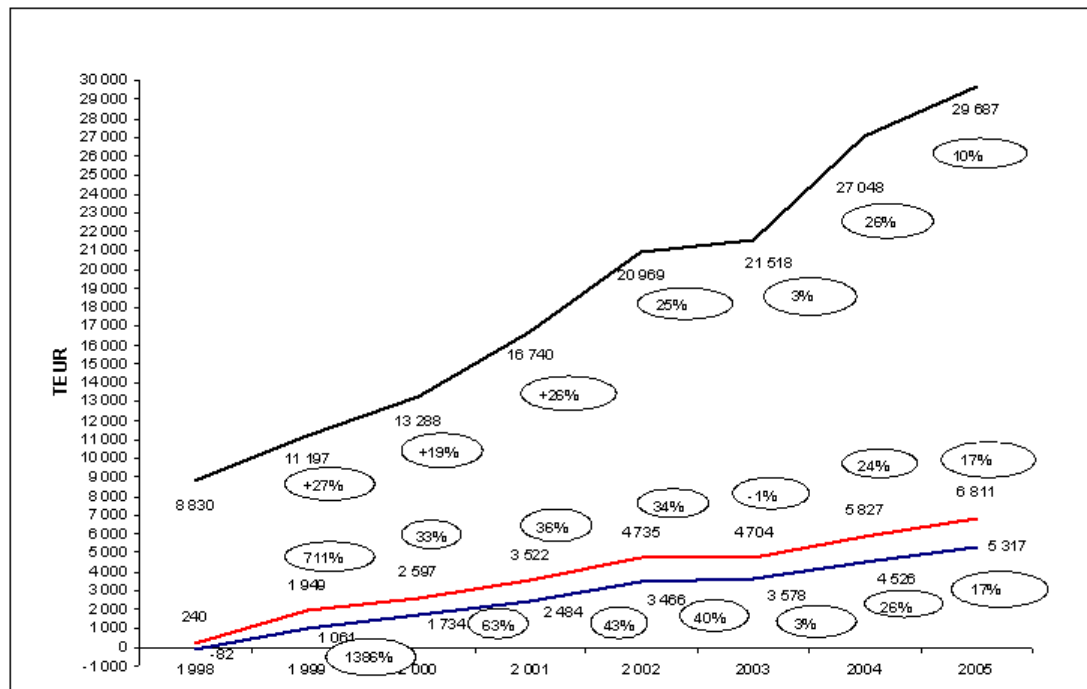
The availability of the information that can be made available to the public about the market position of the firm is limited due to the discrete handling of the relevant data. The figures below refer exclusively to the Hungarian subsidiary and its environment. The Hungarian market comprises a population of 10 - 10,5

million, 1.9 million of whom live in the region where Inform Media Ltd. operates. The company is one of the four regional media groups whose figures are as follows:

- Axel-Springer: 9 regional daily papers, 1,019,000 readers, 274,000 copies sold
- AZ Group: 4 regional daily papers, 747,000 readers, 224,000 copies sold
- Inform Media Group: 3 regional daily papers, 560,000 readers, 165,000 copies sold
- Associated Newspapers: 2 regional daily papers, 470,000 readers, 135,000 copies sold

The Inform Media Ltd has undergone a dynamic development since its appearance in Hungary which owing to its continuous expansion activities tends to continue in the future. After the initial loss making period the Romanian subsidiary also became profitable.

The turnover increase of the Hungarian and Romanian segments in the Inform Media group is shown in the following graph.



There is a wide-scale and expanded cooperation between Austria where the parent company is based, Hungary and Romania providing the subsidiaries. As a result of the strong cooperation we face the cross-border flow of the majority of the factors of production. Besides the move of labour and capital factors, which belong to the category of basic factors of production, the international flow of technology emerges as a further important factor, within which the flow of human capital is outstanding.

The products have wide-spread regional popularity that's why the common aspect represented by them has an influence on the (trans)formation of the local culture, tastes and world of fashion connected to the corporate activities.

In the case of Inform Media the flow of labour is realized at the level of upper managers, following the type of rather a drain brain. Examining the flow of labour within the company- apart from the example of the Austrian MD- the migration for a longer period is not typical. For the managerial positions the company employs managers from the region. An approved method of the exchange of experience and quick and undistorted flow of information is the movement of managers among the company centres.

The international flow of technology in the corporate activity mainly belongs to the category of international technology transfer. The cross-border movement of physical and intellectual outward forms of applied technology is realized by the active participation of the owner. The Inform Media group makes international investments mainly in the forms of infrastructural investments. At the company buying used properties is the generally accepted custom.

The Hungarian Inform Media Ltd. Is owned by Inform Media GmbH in 96,67% and in 3,33% the Inform Media Property Utilization Ltd. The Romanian Inform Media Immobiliare SRL is a property utilization company working in the sane way as the Hungarian company and it is owned by Inform Media Property Utilization Ltd. In 99,9% and in 0,1% by Inform Media Ltd. The Inform Media SRL works as a subsidiary of the Inform Media Ltd., which owns it in 98,4%. The further 0,9% is owned by the Inform Media GmbH and 0,7% is owned by the Inform Media Immobiliare SRL. The Inform Media group realizes the purchasing of properties through property utilization firms, which undertake the running and leasing of the properties, typically for the parent company. The company makes these major investments mainly with the help of loans.